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PAGE 01 STATE 045293

43

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PAGE 02 STATE 045293

AMEMBASSY VALLETTA

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E.O. 11652: N/A

TAGS: EAGR, ETRD

SUBJECT: DELEGATION REPORT IWC/FAC MEETINGS, FEBRUARY 18-20:
WHEAT AGREEMENT EXTENDED

1. SUMMARY: THE INTERNATIONAL WHEAT COUNCIL (IWC) AND
FOOD AID COMMITTEE CONCLUDED FEBRUARY 18-20 SPECIAL
SESSIONS IN LONDON WITH FOLLOWING RESULTS:

--AGREEMENT ON PROTOCOLS FOR FURTHER EXTENSION OF WHEAT
TRADE CONVENTION (WTC) AND FOOD AID CONVENTION (FAC) TO
JUNE 30, 1978. WTC AND FAC, TOGETHER, COMPRISE INTER-
NATIONAL WHEAT AGREEMENT (IWA) OF 1971.

--DECISION THAT IWC PREPARATORY GROUP CONTINUE ITS WORK
AT TECHNICAL LEVEL WITH MEETINGS TO BE SCHEDULED LAST
HALF OF MARCH AND LAST HALF OF MAY, WITH PROGRESS REPORT
ON TECHNICAL DISCUSSIONS TO BE MADE AT JUNE IWC MEETING.

--SET ASIDE DISRUPTIVE LDC EFFORT, LED BY EGYPT, TO
PRESCRIBE DEADLINE FOR NEGOTIATION AND CONCLUSION OF NEW
WHEAT AGREEMENT. END SUMMARY.

2. FOOD AID COMMITTEE MET MORNING FEBRUARY 18 AND
APPROVED 2 YEAR EXTENSION OF FAC. EC ANNOUNCED IT HAD NOT

YET REACHED INTERNAL AGREEMENT ON COUNTRY SHARES WITHIN
ITS OBLIGATION, BUT, UNLIKE PREVIOUS EXTENSIONS, IT WAS
WILLING THIS TIME TO BE LISTED AS SIGNATORY. AUSTRALIAN
REP COULD NOT FORMALLY COMMIT HIS GOVERNMENT TO ANY
EXTENSION BECAUSE OF BUDGETARY REVIEW NOW UNDERWAY IN
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PAGE 03 STATE 045293

CANBERRA BUT EXPRESSED AGREEMENT IN PRINCIPLE AND
EXPECTATION AUSTRALIA WOULD REMAIN PARTY. SWITZERLAND
REQUESTED APPROVAL TO MEET SOME OF ITS FAC OBLIGATION
WITH DAIRY PRODUCTS. U.S., ARGENTINA, AUSTRALIA OPPOSED.
OTHERS SILENT OR (EC) SUGGESTED FURTHER STUDY. CHAIR
RULED THAT REQUEST NOT APPROVED. SWISS REP EXPRESSED
REGRET BUT SAID HE WOULD RECOMMEND CONTINUED SWISS
PARTICIPATION, AND SWISS LATER SAID THEIR CONTINUED

PARTICIPATION DEPENDENT ON ALL OTHER COUNTRIES REMAINING PARTY. U.S. REPEATED STIPULATION FOR PREVIOUS EXTENSIONS THAT OUR RATIFICATION DEPENDENT ON OTHER MAJOR DONORS (EC, CANADA, AUSTRALIA, JAPAN) REMAINING PARTIES.

3. DURING WHEAT COUNCIL SESSION, BEGINNING FEBRUARY 19, WHAT WOULD HAVE BEEN SMOOTH PROCESS FOR APPROVAL OF TWO YEAR WTC EXTENSION, WAS INTERRUPTED BY EGYPTIAN PROPOSAL THAT EXTENSION DOCUMENTS INCLUDE PROVISION THAT NEW IWA SHOULD BE CONCLUDED WITHIN PERIOD OF EXTENSION, I.E. BY JULY 1, 1978. ALTHOUGH THERE WAS GENERAL SUPPORT FOR TWO YEAR EXTENSION, EGYPTIAN PROPOSAL PROVOKED EXTENSIVE DEBATE THAT DELAYED APPROVAL OF WTC EXTENSION UNTIL EVENING SESSION ON FEBRUARY 20. EGYPTIAN PROPOSAL RECEIVED VOCAL SUPPORT FROM INDIA, WHICH SAID THAT IN ABSENCE OF COMMITMENT TO NEGOTIATE NEW AGREEMENT WITHIN SPECIFIED TIME, IT PREFERRED ONLY ONE YEAR EXTENSION OF CURRENT AGREEMENT. OTHER ACTIVE SUPPORTERS WERE PAKISTAN, NIGERIA, CUBA, ALGERIA, AND MALTA. DEVELOPED COUNTRIES AND LATIN AMERICANS WERE GENERALLY OPPOSED TO SETTING TIMETABLE AND LINKING EXTENSION WITH NEGOTIATION OF NEW IWA. USSR STATED SUPPORT FOR TWO YEAR EXTENSION AND SAID THAT SCHEDULE FOR NEGOTIATION OF NEW AGREEMENT, WHICH USSR FAVORED AT EARLY DATE, SHOULD BE HANDLED BY SEPARATE RESOLUTION OF COUNCIL.

4. WITHOUT RESOLVING ABOVE ISSUE, COUNCIL MOVED TO REPORT OF PREPARATORY GROUP AND FUTURE PROGRAM. THERE WAS GENERAL AGREEMENT THAT PREP GROUP DISCUSSIONS COULD MOVE TO TECHNICAL LEVEL TO EXAMINE VARIOUS QUESTIONS THAT HAVE ARISEN REGARDING POSSIBLE NEW AGREEMENT. THERE WAS SOME DISCUSSION OF POSSIBLE TOPICS FOR TECHNICAL EXAMINATION BUT SPECIFIC WORK PROGRAM WILL BE LEFT OPEN LIMITED OFFICIAL USE

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PAGE 04 STATE 045293

UNTIL FIRST MEETING. FOLLOWING QUIBBLING DEBATE OVER HOW TECHNICAL GROUP SHOULD BE CONSTITUTED, COUNCIL ACCEPTED IWC EXECUTIVE SECRETARY PAROTTE'S SUGGESTION THAT PREP GROUP BE INVITED TO SEND EXPERTS TO ASSIST SECRETARIAT IN EXAMINATION OF TECHNICAL ISSUES AND TO REPORT TO PREP GROUP. THERE WAS AGREEMENT FOR TWO TECHNICAL MEETINGS (LAST HALF OF MARCH AND LAST HALF OF MAY) WITH PROGRESS REPORT TO COUNCIL IN JUNE. PAROTTE EXPRESSED HOPE THAT DELEGATIONS FOR TECHNICAL GROUP WOULD BE SMALL AND COMPETENT TO DISCUSS TECHNICAL QUESTIONS. EGYPTIAN ATTEMPT TO ADD TIMETABLE FOR CONCLUSION OF PREP GROUP WORK WAS EFFECTIVELY QUASHED BY COUNCIL CHAIRMAN (ARGENTINE). SOVIET REP SUPPORTED UNCTAD NEGOTIATING CONFERENCE EARLY IN 1977 AND SAID PREP GROUP TERMS OF REFERENCE SHOULD BE BROADENED

TO INCLUDE PREPARATION OF DRAFT PROPOSAL FOR NEW WHEAT CONVENTION.

5. ON FEBRUARY 20 COUNCIL RETURNED TO EXTENSION OF WTC AND EGYPTIAN DEL. INTRODUCED DRAFT RESOLUTION RECOGNIZING CONCERN OF MAJORITY OF COUNCIL MEMBERS TO CONCLUDE "NEW IWA WITH EFFECTIVE ECONOMIC PROVISIONS" BEFORE JULY 1978. DESPITE VIGOROUS EFFORT BY CHAIRMAN TO DEFER CONSIDERATION, LDC SUPPORTERS OF DRAFT RESOLUTION INSISTED THAT COUNCIL TAKE IT UP BEFORE DECIDING ON WTC EXTENSION. REMAINDER OF DAY WAS DEVOTED TO DRAFT RESOLUTION WITH CHAIRMAN, EXEC. SECRETARY, AND VARIOUS DELEGATIONS ATTEMPTING TO DEVISE COMPROMISE LANGUAGE. BY END OF AFTERNOON ALL DELEGATIONS, WITH EXCEPTIONS OF US AND EC WERE PREPARED TO ACCEPT RESOLUTION WITH REFERENCE TO CONCLUSION OF NEW AGREEMENT WITH "EFFECTIVE PROVISIONS" AT "EARLIEST POSSIBLE DATE." EC INSISTED ON INCLUSION OF LANGUAGE THAT RAISED QUESTION OF APPROPRIATE FORUM FOR NEGOTIATION OF NEW AGREEMENT (I.E., HOLDING OPEN THE GATT OPTION BY IMPLICATION). IN RESPONSE TO SOVIET QUESTION, HOWEVER, EC REP CONCEDED THAT UNCTAD COULD BE CHOSEN AS APPROPRIATE FORUM FOR NEGOTIATION OF NEW WHEAT AGREEMENT.

6. U.S. OPPOSED REFERENCE TO NEW AGREEMENT WITH "EFFECTIVE PROVISIONS" ON GROUNDS THIS PHRASE BEING INTERPRETED AS LIMITED OFFICIAL USE

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PAGE 05 STATE 045293

REFERENCE TO PRICE PROVISIONS AND THAT IT WAS PREMATURE TO JUDGE TYPE OF PROVISION THAT MIGHT BE INCLUDED IN NEW IWA. SUBSEQUENTLY, WE ALSO QUESTIONED NECESSITY FOR "APPROPRIATE FORUM" REFERENCE. CHAIRMAN ANNOUNCED IMPASSE HAD BEEN REACHED AND CALLED RECESS TO MEET WITH HEADS OF MAIN DELEGATIONS. MEETING HAD DESIRED RESULT OF CONVINCING EGYPTIAN TO BACK OFF AND AGREE TO ANNEX DRAFT RESOLUTION TO MINUTES ALONG WITH COMPROMISE DRAFT AND DELEGATION STATEMENTS.

7. LAST ITEM OF BUSINESS WAS CONVENING OF CONFERENCE THAT ADOPTED RESOLUTION, PREAMBLE, AND PROTOCOLS EXTENDING WTC AND FAC TO JUNE 30, 1978. AT U.S. SUGGESTION, MARCH 17 TO APRIL 7 WAS SET AS PERIOD FOR SIGNATURE.

8. COMMENT. OUTCOME OF IWC MEETING WAS SUCCESSFUL FROM U.S. POINT OF VIEW, THOUGH U.S. POSITION NECESSARY TO RESIST EGYPTIAN PROPOSAL COULD BE SEEN AS SIGN OF EQUIVOCAL ATTITUDE TOWARD DESIRABILITY OF NEW IWA. WE WERE ONLY DELEGATION THAT HAD PROBLEMS WITH "ECONOMIC PROVISIONS" PHRASE. WHILE MAJORITY OF OTHER MEMBERS

WERE UNWILLING TO SET NEGOTIATING TIMETABLE, MOST ARE
IN FAVOR OF CONVENING NEGOTIATING CONFERENCE IN 1977
AND CONCLUDING NEW AGREEMENT WITHIN TWO YEAR PERIOD OF
THIS THIRD EXTENSION. KISSINGER

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